Digital Transformation of Tax Administrations in the EU

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Dr. MARINA SERRAT ROMANÍ, Assistant Professor
(Maastricht University)

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Thank you very much, Alvaro. Well I don't have any presentations to to share. I hope my connection is good. Otherwise if I have to turn off my camera, I'm gonna convert this into a podcast. So first of all, thank you very much. Alberto Inaki Marta for thinking about me to to join this this interesting project. I I really well sorry for this long. I had a blast doing research for for this project and my. Presentation of today, uh, it's about to present the results of a working paper that I had to develop for the the working group, led by Alvaro himself and and Joanna Guerra. And they actually asked me to do a practical study based on field work to gather information about the the current use of these technologies of basically big data, AI and machine learning for tax purposes. So I had actually.

The check, uh, what was the the real implementation of of the technology for taxation? That was the the the main purpose of this of of my working paper and so.

I, I basically, uh, made AA compared study among several EU countries, the especially focusing the attention on Stonia, France, Ireland, the Netherlands and the UK. However, when I came across with something interesting or relevant from other countries, I also included those results in the in the compare study. This is the case of Croatia, which I think senior for helping me out.

There, uh with that Germany, Italy, and Denmark. Those are some of the the countries also relevant for the for the study. The paper is divided in in three parts. I focus attention on the use of technology by taxpayers to improve tax compliance. The use of technology by tax administrations for tax management and tax inspection purposes. And finally I examined.

Which are the legal limits? Uh, for the use of technologies within the EU context, so I'm going to present some of the the the results. The most relevant ones. Let's start from the the the beginning, the use of technologies by taxpayers. So in order to tackle that part, I first observed.

How technology scoot improve compliance for both formal tax obligations and material tax obligations. So I examined whether there are platforms to submit the tax returns. If the tax obligations can be fulfilled via a smartphone, for instance on either are new technologies of communication with taxpayers to easing the tax compliance and if there are any strategies to promote the.

The use of technologies, among many other questions that you can read in in the paper once once it's published, uh, so first, let's start with the the platforms for submitting tax returns here on the results of the selected countries. For instance, in Estonia it was the first country to actually initiate a digital transition, so they count on an etax and electronics tax filing system. Since the year 2000. So 20 years ago they.

They already started that transformation process and nowadays approximately 98% of the population of the taxpayers declared their taxes online. And actually a remarkable thing is that from 2015 onwards, they are very proud to announce that approximately it takes 3 to 5 minutes to declare the personal income tax return because they have prefilled forms with.

Very accurate information that they obtained from crossing several sources. Several databases, uh.

This profile forms. You can also find them not only for personal income tax, but for many different types of taxes. Uh, in the case of France, for instance, they you can also declare the taxes online, and the relevant thing I came across with France is that they find out that the administrative routine cost of bureaucracy having to deal with bureaucracy not only for tax purposes, but general administrative bureaucracy.

Oscillates between the three and the 5% of the GDP. So in front of this data, an interesting initiative to reduce the bureaucracy is a pilot program called dillanos infoid. I don't know if I pronounce it correctly, but it the translation is. Tell us once. Tell us once which means that citizens introduce data to one single administration. This means that.

The intention is that a citizen that introduces data once for one administration doesn't have to introduce the same data again for another administration and.

Symmetrically, there is going to be internal automatic exchange of information among the different public administrations by using big data.

And we can use this, uh, uh, new pilot program to already have information prefilled in the online forms to declare, for instance, a tax return? For instance, if for another purpose we had to inform about the family situation about the number of people living in a household or any other data relevant for tax purposes and another tax administration already have it, then when we want to do our income?

Return.

Theoretically, that information should already appear there, and this save us a lot of time and I found that initiative very, very interesting.

Let's move on to other countries. There are the the Netherlands, which already has a, uh, well, you can declare your taxes perfectly online with prefilled forms and a particular and interesting thing of the prefilled forms here is that they have memory. So once you have to, even though they are very complete, if you have to add an introduce new data, the program remembers it for next year. So this way you can just add that.

Information with one click and save. That saves time as well.

This is the contrary that happens to Ireland. I mean, you can declare your taxes online through the revenue online service the rolls, but they don't have pre filed income tax returns for instance. And moving to the UK. A very interesting initiative I saw is the.

The program making tax digital by making tax digital that the Her Majesty, revenue, customs and I'm I'm paraphrasing. They want to transform the tax administration to make it more effective, more efficient, and easier for taxpayers to get their tax right. So the intention is to use digital record keeping tools and right now this is the very first year that.

It's a mandate that all VAT registered business need to keep the digital VAT records and send their returns using compatible software with Her Majesty, Revenue and Customs. And they want to expand that digitalization fully. Digitalization in 2024 for personal income tax of self-employed people and landlords, and in 2026 for corporate income tax.

So let's move on in the in the study and, uh.

We know we can declare taxes online through a web page, but can we use our mobile phone? Can we use any apps? Well, surprisingly, in Stonia, despite being the pioneer, I didn't manage to find any specific mobile phone app to declare your taxes through through there.

But that's not the case. As of the other countries. For instance, uh, in France they developed an app. You can access the the prefilled declaration, check it validated, send it to the tax authorities, and you can also check information from previous past years. And I think it's up to three years and you can also download and share documents via SMS or e-mail to third parties from that app in Ireland as well you. They have developed an app for businesses and for individuals, and the interesting thing of this app for businesses specifically is that they have the possibility to download the the offline application so you can work offline without needing Internet connection. Philippine in the mobile phone app and then send it to the tax authorities. Once you have the connection. But you can work offline and for individuals. Yeah you can work connected to Internet and they can.

Access their personal space, etcetera and also for the for the UK. Her Majesty revenue customs have has a an app you can do several things and you can access update your personal data. You can communicate with the tax authorities through this app. You can use it to calculate deductions to claim for refunds etcetera, but the masters of the apps are the the the Dutch actually in the Netherlands we have.

Several apps there is one, for instance, to declare the the personal income tax return, but it's very limited. I mean, unless they don't really have the information, it's prefilled like you cannot really add new information, and it's quite complicated. Depending on the the type of data that you need to introduce, you can also find the customs app where you can find information about the products.

You can import or not to the Netherlands and you can upload photos of your own products and also from the the the recipes and the tickets. In case you you have to travel and to you have to inform the tax authorities that you already had those products before with you. But you can also find other apps related to the tax authorities. **There is one app specifically to provide information about the tax obligations, the upcoming tax obligations.**

And you can also find an app about the main trends on tax fraud and that is thought to inform taxpayers how to detect such practices. I found that are very, very interesting and as we are already in the apps we know we can declare, uh, the the the the information through the apps. But can we pay through these apps yes or not? In the case of Ireland, the Netherlands?

The UK, uh, you don't really have indications or I didn't manage to find, uh, that you can pay your taxes through the app, but in France you can indeed.

And regarding the methods of payment, uh, can we pay with regular normal plastic methods of payment? Or can we use cryptocurrencies and blockchain? Well, unfortunately we don't accept in the EU countries. I checked cryptocurrencies as a valid method of payment of of taxes and blockchain is not yet a reality, even though as a senior explains the minutes ago.

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There are very interesting initiatives that might make possible to implement blockchain for tax purposes very soon. Actually I I wanted to mention that there is an interesting initiative called the the Mediterranean 7 where France, Italy, Spain, Portugal, Malta, Greece and Cyprus.

Want, uh, they joined forces to promote the use of blockchain technology within government services, not specifically to pay taxes, but at least they are developing a a common effort to to use blockchain for.

Several public administration services

And let's move on so.

We are now in the path of disruptive technology, so how can we taxpayers communicate with tax administrations and vice versa? Are there any new ways to communicate and to make compliance easier? Well, I have to say that I was surprised to discover that tax authorities are very into social media. Yeah, social media. So for instance, in the case of stonia, they have a Facebook account.Twitter account, Instagram account and YouTube channel to inform taxpayers even though they are not very active in France, for instance, through this app where you can declare and pay your taxes, you can communicate with the tax authorities and receive notifications in that app in the mobile phone. But they also have a Facebook page and a Twitter account in Ireland. They also have a Twitter account to share information news.

On on tax allegations of complex obligations, etcetera. And the interesting thing of Ireland is the virtual digital assistant, the virtual digital assistant is an artificial intelligence chatbot to assist the calls that the tapes authorities receive at the the the Help desk, so they use a smart suggestions to have fluid conversation with the taxpayer.

And they are able to detect that in case the question is too complicated, they are able to switch and transfer the call to a proper revenue officer physical person to answer the the question of the taxpayer. But at least well, they're using artificial intelligence to answer the taxpayers questions.

And.

Let's move on to the Netherlands. So in the Netherlands they they have also social media. They have a Facebook and an Instagram channel to keep people posted on the upcoming obligations. They have two different Twitter accounts, one for individuals, one for entrepreneurs and they also have a YouTube channel. And in this YouTube channel they share deeper information on tax topics on tax obligations on how to fulfill the obligations. And they use a plain and approachable language with the taxpayer.

taxpayer. But meanwhile the Netherlands were the kings of the apps in the mobile phones. The Kings and Masters of social media is Her Majesty, revenue, customs. So they even have a community manager team, a social media team, because they have to manage 1212 different accounts in social media, all of them for.

Different purposes, they have four different Twitter accounts, one for official news, one just to communicate with taxpayers and share and answer questions. So just for that, they also have one Twitter account for job alerts. I mean if you want to work for Her Majesty, revenue, customs, be aware that there are job alerts in one Twitter account specifically. They also have an Instagram account.

With quite casual and also a funny videos on how to properly comply with tax obligations, they have a Facebook account with a more serious tone. I mean you know that the Instagram target and the Facebook target are different profiles, so they use different tones in both apps and they also have a very.

Complete YouTube channel and very updated at least once a month. They upload the video where you can find interviews with taxpayers, interviews with Her Majesty, Revenue and Customs employees. They also have a series of videos to dedicated to schools for tax education for for children to make them aware about the importance of paying taxes and they also have an interesting section.

For them, making tax digital program in order to keep informing, keep creating awareness about the digital transition that Her Majesty, Revenue and Customs is going to make. Well, it's a starting right now, but in the upcoming years.

And with this last point.

I'm going to answer the the the the following a point that I researched with which is out there. Any strategies to promote from the tax authorities the use of technologies by taxpayers well?

In the **Netherlands, Estonia, and Ireland**, I didn't manage to find any specific strategy to promote the use of technology for tax purposes to comply with with tax purposes, but I have to say that in France for instance, they are advertising the advantages of the program Telus once, which is very important, and Her Majesty revenue customs. Apart from this YouTube channel that I mentioned.

A few seconds ago, uh, they also prepared a communication package to provide material and sources and different information to help stakeholders, lawyers, tax advisors with the communication to help their clients and their customers to prepare for the digital transition. So I'm going to close the taxpayers part here and let's move to the.

The Tax administration's part. So how the? Which is the perspective of the the tax authorities and how they use the technology for tax management and tax inspection tax audits?

Actually yeah, yeah, yeah yeah, I know. I know. I'm finishing Albert. Don't worry.

Uh, so for task management and tax inspection front, I'm not gonna highlight the France and the Netherlands, but I would like to highlight, especially the UK. The UK have has an algorithm called Connect and this algorithm recommends individuals and businesses to be investigated, and it recommends this individuals and businesses based on crossed information.
Obtained from several uh, databases, from the records that they have in the tax administrations and the databases they have in other governmental premises and also social media. So they verified the reliability of the the the tax declarations based on the information that they have. Also, I had to mention Italy, Italy in 2013 implemented the the application.
Both ready to Metro and it acts more or less like this. Uh, this UK algorithm. So basically the ready. Don't graviton Metro crosses hundreds of different variables and the outcome of crossing those variables is to compare if the sums paid by the taxpayer that they has been spent much with the sums.
Declared and lie. So if there is a more than a 20% difference between what was declared, what was spent, then a tax audit might be carried out. And finally Germany. Germany since 2017. Makes stance tax assessment fully automated. However, tax authorities.
Reserve the right to manually examine certain taxpayers in case they entail high risk of deliberate tax evasion or fraud. So reaching this point and how tax authorities are using algorithms to support for tax management and tax purposes is time to think about the limits of using technology for tax purposes and as.
You might, uh, imagine.
There are neither specific domestic legislation nor EU legislation that frames the usage of AI and big data for tax purposes specifically. So in order to find the limits of how, when to use big data and AI for tax purposes, we need to mirror the EU primary sources, establishing principles, fundamental rights and guarantees to help settle the boundaries. And I think that.
We need to pay special attention to the right to privacy, uh, the right to fair trial and due process, but I would like to finish with the right to equality and non discrimination because.
I mentioned a lot of communication, a lot of digital examples for digital transition of to comply, the tax obligations, and the progressive. Digitalization implies that individuals we need to have certain knowledge of it. So even though a high percentage of the US population masters the IT technology enough, there are still part of the population.
Who lack of such knowledge and this digital transition puts taxpayers in an unequal position and makes them not ready for an entire digital communication with the tax authorities and an entire digital fulfillment of their tax obligations. So, in a nutshell, in conclusion, the normalization the expansion of AI, big data and all the disruptive technologies.
All for tax purposes and makes it necessary to not only update the the the principles to the current context of digitalization of tax administrations, but also to create specific legislation and regulation to create clear boundaries when.
The the limits of the tax of the technology for tax purposes need to be implemented, and that's it. That's it. That's all I have to do. Thank you. Thank you for your brilliant right. Brian, Brian. And clear presentation. Thank you very much.